Why the Principle of Arbitration Cannot Be Sacrificed

The Position of the Railroads in Reference to the Wage Demands of the Freight and Yard Train Service Employes

A Statement to the American Public issued at Washington, D. C., August 27, 1916, by Samuel Rea, President of the Pennsylvania Railroad System

MR. REA'S STATEMENT, which was given to the public through the newspapers, explains the attitude of the railroad executives of this country with reference to the vital necessity of retaining the principle of arbitration in the adjustment of wage differences affecting interstate commerce. It sets forth:

1. Why the railroad executives should decline to grant the demands of freight and yard service employes for an 8-hour basic day with 10-hours' pay, and time and half time for overtime, unless the justice and practicability of all of these demands should be tested by impartial arbitration.

2. Why they find it impossible to withdraw from this position even at the personal request of the President of the United States.

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By Samuel Rea, President of the Pennsylvania Railroad System

For the managements of the railways to yield to the demands and threats of the labor organizations and to accept President Wilson's proposal would be to destroy at one blow the principle of arbitration as the paramount and recognized method of settling labor disputes. What would be gained by this tremendous sacrifice of sound principle, which involves the rights and interests of the railways, of the great majority of their employes not embraced in the present controversy and of the American people?

The threatened strike would be postponed, it is true, but we would have no assurance that it would be permanently prevented. Except that the principle of an eight-hour pay day would be conceded, the issues of the very controversy now pending would be left unsettled, while the future of the railways would indeed be rendered dark and uncertain.

These, in brief, are the reasons why the heads of the railways, with a full appreciation of the solemn and weighty responsibility resting on them as well as of their duty to the public and to their shareholders, have been forced to the conclusion that it is better to face the alternative of a strike than to surrender.

Results of a Decade of Labor Demands

Let any man who questions the soundness of this conclusion consider in the light of the history of the last ten years the position in which the carriers now find themselves.

The great labor movements culminating in the present one began a decade ago, almost simultaneously with the adoption of effective regulation. From that time the managements have been engaged in a desperate struggle to prevent and completely stop their development. After the first large increases in wages, appeal was made to the Interstate Commerce Commission for advances in rates, which the Commission in 1911 denied.

Every Effort to Increase Efficiency

Even in the face of this, railway managers were undaunted and in good faith applied all their energy and ability

to increasing efficiency. Never in the history of any industry was more hard, conscientious, able and successful work done to increase efficiency than has been done on the railways of this country during the last ten years.

Wage Increases Offset Savings

What has been the result? The labor movement has continued and one arbitration board after another has awarded advances in wages. In spite of increased efficiency the companies could not stand the strain, and in 1914 again appealed to the Interstate Commerce Commission.

This time the Commission decided that their earnings were not adequate and granted some advances in rates, but before this relief was accorded there were more miles of railway in the hands of receivers than ever before and new construction had reached the lowest ebb since the Civil War.

The New Demands—Who Would Gain?

This period of profound depression has been followed by a year of comparative prosperity in the railway business, due almost entirely to an abnormal increase in traffic which, it is recognized, cannot be permanent. And now, after this brief period of prosperity, it is pro-

posed that the roads shall make sacrifice of principles and grant wages which would cause an increase in expenses that would wipe out all the advances in rates that have been granted and sweep away the economies that have been achieved by the exertions of ten years.

And who is to get the benefit of this —the public? No. *All* the employes of the railways? No. A single group of their employes, constituting only a small percentage of the total number, is to get it all.

Highest Paid Men in the Service

And are these the poorest paid employes? They are very much the highest paid. Are they the most loyal? Not if the acts of the leaders of their organizations are to be accepted as having their approval, for they are the very group of employes who, through their legislative committees, have been engaged for years in lobbying at Washington and every State capital for full crew, train limit and other legislation designed to reduce the efficiency of operation, and who at this moment are refusing to arbitrate and threatening to tie up every railway in the country and paralyze its commerce and industry.

The railways have no assurance, if they grant the demand for a counterfeit

'eight-hour' day, that the added burden of expense thus imposed will be offset by an adequate increase in rates. They have no assurance that they will secure arbitration of the other demands of these employes. They have no assurance that they will secure arbitration of their own proposals to the employes. Nor have they any assurance that they will be given protection by Congress from strikes in future.

Let me emphasize the fact that history is but repeating itself in the present crisis, for two years ago there was equal menace of a strike on the Western roads. In response to the appeal then made to their patriotism the railway managers yielded. Nothing was done either by the President or Congress as the result of that experience to prevent the development of the situation which now again faces the railway managers, but on the other hand they are confronted by practically the same ultimatum and that they shall even sacrifice the one remaining principle of arbitration.

Face $300,000,000 Added Wage Cost

The railways know that if they yield to the present demands of a comparatively small percentage of the total number of their employes they will receive

like demands from the rest and that these concessions to all employes will cost at least $200,000,000 and probably $300,000,000 a year. They know, too, that if they submit now to the proposition made to them by the President they will be denounced by the business interests of the country for having given up the principle of arbitration, when every factor in the dispute points to the justice of their cause.

No Choice But to Face the Issue

Confronted by such conditions and borne down by a solemn sense of their responsibilities to their employes, to business interests of all kinds, to the 100,000,000 people of the United States and to their stockholders, what could the heads of the railways do but refuse to yield and then calmly, but resolutely, face the possibilities of the situation in full confidence that their action will receive the unqualified indorsement and support of the business interests of the country and the public at large, who have as yet been denied all opportunity to be heard.